

400

Transportation

Budget function 400 covers most programs of the Department of Transportation as well as aeronautical research by the National Aeronautics and Space Administration. It supports programs that aid and regulate ground, air, and water transportation, including grants to states for highways and airports and federal subsidies for Amtrak. CBO estimates that total outlays for function 400 will be \$67 billion in 2003. Almost all of that amount is classified as discretionary spending. (Funding for most transportation programs is provided by mandatory contract authority.) Spending under function 400 has more than doubled since the early 1990s.

Federal Spending, Fiscal Years 1990-2003 (In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Estimate 2003
Budget Authority (Discretionary)	13.5	13.7	15.0	14.0	15.7	12.5	13.6	14.5	14.0	15.1	15.2	19.7	23.4	22.0
Outlays														
Discretionary	27.9	29.3	31.5	33.2	36.0	37.0	37.0	38.4	38.3	40.6	44.7	50.1	57.3	64.8
Mandatory	<u>1.6</u>	<u>1.8</u>	<u>1.9</u>	<u>1.8</u>	<u>2.1</u>	<u>2.3</u>	<u>2.5</u>	<u>2.4</u>	<u>2.1</u>	<u>2.0</u>	<u>2.1</u>	<u>4.3</u>	<u>4.6</u>	<u>2.4</u>
Total	29.5	31.1	33.3	35.0	38.1	39.4	39.6	40.8	40.3	42.5	46.9	54.4	61.9	67.2
Memorandum:														
Annual Percentage Change in														
Discretionary Outlays	n.a.	5.0	7.5	5.7	8.3	2.9	*	3.7	-0.4	6.0	10.3	12.0	14.4	13.1

Note: n.a. = not applicable; * = between -0.05 percent and zero.

400-01—Discretionary**Reduce Federal Subsidies for Amtrak**

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	278	287	296	306	317	1,484	3,241
Outlays	278	287	296	306	317	1,484	3,241

When the Congress established the National Railroad Passenger Corporation, commonly known as Amtrak, in 1970, it anticipated providing subsidies for only a limited time until Amtrak could become self-supporting. After more than a quarter century of federal subsidies, in 1997 lawmakers enacted the Amtrak Reform and Accountability Act, which directed Amtrak to take a more business-like approach to operations so that it would not need federal subsidies after December 2002. For several years after that law was enacted, Amtrak reported to the Congress that it was on a “glide path” toward the achievement of operating self-sufficiency by the deadline. In the spring of 2002, however, Amtrak announced that it could not meet the deadline and that the goal of operating self-sufficiency was—and always had been—unrealistic.

By early summer of 2002, Amtrak was rapidly running out of cash to run its operations. In addition to a federal subsidy of \$521 million provided through appropriation legislation for fiscal year 2002, Amtrak sought and received a federal loan of \$100 million in July. In addition, it received \$205 million in supplemental appropriations to get through the rest of the fiscal year.

Under this option, federal subsidies would be reduced by the amount currently needed to support train operations on the routes that lose the most money. According to

data from Amtrak’s Route Profitability System, the five trains that lost the most money accounted for losses of about \$250 million in 2001. Cutting that amount from Amtrak’s subsidies each year would save \$278 million in 2004 and nearly \$1.5 billion through 2008.

Proponents of this option generally favor having the railroad act more like a business. They suggest that Amtrak should cut service on routes that have attracted so few riders that Amtrak incurs large losses on each train it operates and that it should focus on the routes for which demand is greater. If passenger revenues were not sufficient to cover the cost of operating a train but states valued the service, the states could provide additional subsidies to help cover costs. Otherwise, travelers could use buses, airplanes, or cars to reach their destinations.

Opponents of this option generally regard Amtrak as a public service that should be available on a nationwide basis without regard to cost. They contend that passengers on lightly traveled routes have few transportation alternatives and that the railroad is vital to the survival of small communities along those routes. Moreover, they suggest that improving service throughout the system could attract more passengers and make rail transportation more viable economically.

RELATED OPTIONS: 400-03, 400-07, and 400-08

RELATED CBO PUBLICATION: *A Financial Analysis of H.R. 2329, The High-Speed Rail Investment Act of 2001*

400-02—Mandatory
Eliminate the Essential Air Service Program

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	91	116	117	118	119	561	1,182
Outlays	81	113	115	118	119	547	1,168

The Essential Air Service (EAS) program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received federally mandated air service before deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria. (Subsidies are available for service to communities only if they are 70 miles or more from a large or medium-sized hub airport, except in Alaska and Hawaii.) In 2002, subsidies supported air service to 114 U.S. communities, including 31 in Alaska (for which separate rules apply). The number of passengers served annually has fluctuated in recent years, as has the subsidy per passenger, which has ranged from \$6 to \$400. The Congress has directed that such subsidies not exceed \$200 per passenger unless the community is more than 210 miles from the nearest large or medium-sized hub airport. This option would eliminate the EAS program, saving \$547 million in mandatory outlays from 2004 through 2008.

Supporters of this option contend that the EAS subsidies are excessive, providing air transportation at a high cost per passenger. They also maintain that the program was intended to be transitional and that the time has come to phase it out. If states or communities derive benefits from service to small communities, the states or communities could provide the subsidies themselves.

Opponents of this option believe that the subsidy program prevents the isolation of rural communities that would not otherwise receive air service. Because the availability of airline transportation is an important ingredient in the economic development of small communities, without it some towns might lose a sizable portion of their economic base, opponents claim.

RELATED OPTIONS: 300-10 and 400-03

400-03

Eliminate Grants to Large and Medium-Sized Hub Airports

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	1,360	1,360	1,360	1,360	1,360	6,800	13,600
Outlays	251	811	1,116	1,271	1,364	4,813	12,375
Note: Budget authority is mandatory. Outlays are discretionary.							

Under the Airport Improvement Program (AIP), the Federal Aviation Administration (FAA) provides grants to airports to expand runways, improve safety and security, and make other capital investments. Over the period from 1982 to 2002, about 40 percent of the AIP’s funding went to large and medium-sized hub airports—the 70 or so airports that together account for nearly 90 percent of passenger boardings. This option would eliminate the AIP’s funding for those airports but would continue grants to smaller airports at levels consistent with those of 2003—assuming that smaller airports will receive about 60 percent of the \$3.2 billion made available in 2003, or about \$1.9 billion.

AIP funding is subject to distinctive budgetary treatment. The program’s budget authority is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are categorized as discretionary. Under this option, both budget authority and obligation limitations would be reduced, saving \$4.8 billion over the 2004-2008 period.

Supporters of this option assert that larger airports do not need federal funding and that federal grants simply substitute for funds that could be raised from private sources. Because they serve many passengers, those airports generally have been able to finance investments through bond issues and through passenger facility charges and other user fees. Smaller airports may have more difficulty raising funds for capital improvements, although some have been quite successful in tapping the same sources of funding as their larger counterparts. By eliminating grants to larger airports, this option would focus federal spending on airports that appeared to have the fewest alternative sources of funding.

People who oppose this option argue that the controls exerted by the FAA as conditions of receiving aid ensure that the airports will continue to make investment and operating decisions that promote a safe and efficient aviation system.

RELATED OPTIONS: 300-10, 400-01, 400-02, 400-07, and 400-08

RELATED CBO PUBLICATION: *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* May 1992

400-04

**Increase Fees for Certificates and Registrations
Issued by the Federal Aviation Administration**

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Added Receipts	5	5	5	5	5	25	50
Note: The fees could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing them.							

The Federal Aviation Administration (FAA) runs a large regulatory program to ensure safe air travel. It oversees and regulates the registration of aircraft, licensing of pilots, issuance of medical certificates, and other similar activities. The FAA issues most licenses and certificates free of charge or at prices well below its costs. For example, the current fee to register an aircraft is \$5, but the FAA’s cost of providing the service is closer to \$30. The FAA estimates the cost of issuing a pilot’s certificate to be \$10 to \$15, but the agency does not charge for the certificates. Imposing or raising fees to cover the costs of the FAA’s regulatory services could increase receipts by an estimated \$25 million over the 2004-2008 period. Added receipts could be somewhat smaller if the FAA needed additional resources to establish and administer the fees.

The Drug Enforcement Assistance Act of 1988 authorizes the FAA to impose several registration fees as long as they do not exceed the agency’s costs for providing the services. For general aviation, the law allows fees of up to \$25 for aircraft registration and up to \$12 for pilots’ certificates (plus adjustments for inflation). Setting higher fees would require additional legislation.

As supporters of this option point out, FAA fees based on the cost of services would be comparable with automobile registration fees and operators’ licenses and thus would probably be modest, especially when compared with the total cost of owning an airplane. People who oppose this option contend that increasing regulatory fees might burden some aircraft owners and operators. That effect could be mitigated by setting registration fees according to the size or value of the aircraft rather than on the basis of the FAA’s cost.

RELATED OPTIONS: 300-05, 300-06, 400-05, and 400-06

400-05

Establish Fees Based on Costs for Air Traffic Control Services

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Added Receipts	2,000	2,000	2,000	2,000	2,000	10,000	20,000
Note: The fees could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing them.							

The Federal Aviation Administration (FAA) operates the air traffic control (ATC) system, which serves commercial air carriers, the military, and smaller users, such as air taxis and operators of private corporate and recreational aircraft. Traffic controllers in airport towers, terminal radar approach control facilities (TRACONs), and air route traffic control centers (ARTCCs) help guide aircraft safely as they taxi to the runway, take off, fly through designated airspace, land, and taxi to the airport gate. Other ATC services include flight service stations that provide weather data and other information useful to small-aircraft operators.

This option would impose fees for ATC services that reflect the FAA’s marginal costs of providing the services. The marginal costs of a flight equal the costs of every ATC service (or contact) provided for that flight. For example, a commercial flight from New York to San Francisco entails contacts with two airport towers, two TRACONs, and seven ARTCCs. Under this option, the airline would pay the sum of the marginal costs of those contacts. A 1997 FAA study estimated total marginal costs for all airlines operating in the United States to be about \$2 billion a year.

Fees based on marginal costs would affect various types of airline operations differently. Carriers mainly using hub-and-spoke networks would probably face higher fees than those providing nonstop origin-to-destination flights because of differences in the number of contacts with towers, TRACONs, and ARTCCs.

Supporters of this option assert that imposing fees for marginal costs would encourage efficient use of the ATC system. Noncommercial users might reduce their use of ATC services, freeing controllers for other tasks and increasing the system’s overall capacity. By analyzing the pattern of revenues from user fees, FAA planners could better decide on the amount and location of additional investments in the ATC system, which would make it more efficient.

Opponents contend that this option would raise the cost of ATC services to users. Such a move could weaken the financial condition of some commercial air carriers. Assuming that the airlines would pass along most of the increase in cost to their customers, the Congressional Budget Office would expect some decrease in demand for aviation services under this option.

RELATED OPTIONS: 300-05, 300-06, 300-08, 370-02, 400-04, and 400-06

RELATED CBO PUBLICATION: *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* May 1992

400-06

Impose a User Fee to Cover the Costs of the Federal Railroad Administration’s Rail Safety Activities

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Added Receipts	0	45	92	93	95	325	827
Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.							

The function of the Federal Railroad Administration’s (FRA’s) rail safety activities is to protect railroad employees and the public by ensuring the safe operation of passenger and freight trains. Field safety inspectors are responsible for enforcing federal safety regulations and standards. Other functions include issuing standards, procedures, and regulations; administering post-accident and random drug testing of railroad employees; providing technical training; and managing highway grade-crossing projects.

Railroad safety fees, which had been authorized in the Omnibus Budget Reconciliation Act of 1990, expired in 1995. Before that year, railroads were subject to those fees, which covered the safety enforcement and administrative costs of carrying out the FRA’s mandated safety activities. The fees offset a portion of federal spending on safety programs.

This option would impose new user fees to offset the costs of the FRA’s rail safety activities—totaling \$325 million over five years. People in favor of this option contend that the specific recipients of government services should bear the costs. The user fees would relieve general taxpayers of the burden of supporting the FRA’s rail safety activities.

People who oppose this option contend that the general public is the main beneficiary of the FRA’s rail safety activities. Opponents also note that, apart from businesses in the pipeline industry, no other freight or transportation businesses pay user fees for federal services that promote safety.

RELATED OPTIONS: 300-06, 300-08, 370-02, 400-04, and 400-05

400-07**Eliminate Funding for “High-Priority” Highway Projects**

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	1,778	1,778	1,778	1,778	1,778	8,890	17,780
Outlays	190	653	1,078	1,338	1,477	4,736	13,044
Note: Budget authority is mandatory. Outlays are discretionary.							

A portion of the Federal-Aid Highway program is devoted to “high-priority” projects—specific ones designated by the Congress as especially worthy of funding. In authorizing \$171 billion in funding for the Federal-Aid Highway program over the 1998-2003 period, the Transportation Equity Act for the 21st Century (TEA-21) designated nearly \$9.4 billion for 1,851 high-priority projects. For those projects, in 2002 the Congress provided nearly \$1.8 billion in TEA-21 funding. The authorized federal shares of the high-priority projects range from \$15,000 to \$134 million. This option would eliminate funding for those projects.

The budgetary treatment of the Federal-Aid Highway program is unusual. Budget authority is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are classified as discretionary. To achieve budgetary savings, this option would require the modification of TEA-21 to cut spending authority by an amount equal to that provided for the high-priority projects. Under this option, both budget authority and obligation limitations would be reduced, saving \$190 million in 2004 and \$4.7 billion over the 2004-2008 period.

For the bulk of the Federal-Aid Highway program, states set priorities and choose projects within certain broad categories established by the federal government. Supporters of this option contend that Congressional earmarking for high-priority projects subverts the states’ processes of establishing priorities for highway spending. If those projects were so important, they argue, the states would have included them in their transportation plans, and they would receive funding under the normal ranking processes. Moreover, annual federal aid to states for highways surged under TEA-21—from about \$20 billion in 1997 to \$33 billion in 2002—thereby giving states the resources to fund more projects.

Opponents of this option respond that the states’ project-ranking models do not necessarily include all of the important factors (or give them sufficient weight) in setting overall priorities. Members of Congress, who are in touch with the needs of their states and districts, may balance the process by designating exceptional projects that merit consideration. Those projects may serve special purposes, such as providing economic aid for depressed regions.

RELATED OPTIONS: 400-01, 400-03, and 400-08

400-08

Eliminate Funding for the “New Starts” Transit Program

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	1,593	1,624	1,659	1,693	1,731	8,300	17,540
Outlays	239	721	1,054	1,315	1,534	4,863	13,628

Note: Budget authority includes mandatory contract authority specified in law. Outlays are discretionary.

Under the “New Starts” program, the Department of Transportation provides for the construction of new rail and other fixed-guideway systems and extensions of existing systems. For 2002, the Congress provided \$1.1 billion for the program. This option would eliminate the New Starts program, although state and local governments could still use federal aid distributed by formula grants for new rail projects. In 2002, the federal government provided \$3.5 billion in formula funding for a wide variety of transit projects.

The budgetary treatment of transit funding is complex. A portion of the budget authority for the New Starts program is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are categorized as discretionary. The remainder of the budget authority is provided in appropriation acts and is considered discretionary. Under this option, discretionary budget authority, contract authority, and obligation limitations would all be reduced, saving \$239 million in 2004 and \$4.9 billion over the 2004-2008 period.

Supporters of this option argue that new rail transit systems tend to provide less value per dollar spent than bus systems do. Bus systems require much less capital, and they are more flexible in their ability to adjust schedules and routes to meet changing needs. Moreover, supporters contend that letting the federal government dictate how communities should spend federal aid for transit is inappropriate and inefficient because local officials know their needs and priorities better than federal officials do.

Those opposed to this option contend that the suburban sprawl resulting when families and businesses move out of central cities leads to increasing congestion and pollution. Building additional roads will not solve the problem but only leads to greater decentralization and sprawl, they argue. New rail transit systems, in contrast, can help channel future development into corridors where public transportation is available, as companies and residential developers locate where they can attract employees by offering easy and reliable access to the workplace.

RELATED OPTIONS: 400-01, 400-03, and 400-07

RELATED CBO PUBLICATION: *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* May 1992

400-09—Discretionary

Increase Fees for Transportation Security

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Added Receipts	2,611	2,709	2,815	2,930	3,048	14,113	31,372

The terrorist attacks of September 11, 2001, led to increased security measures at the nation’s transportation facilities. One of the most sweeping changes resulted from the Aviation and Transportation Security Act (Public Law 107-71), which made the federal government, rather than airlines and airports, responsible for screening airline passengers, carry-on luggage, and checked baggage. The new standards for screening have raised costs by requiring a larger number of screeners with higher qualifications (thus necessitating higher compensation).

To help pay for increased security, the law authorized airlines to charge passengers a fee of \$2.50 each time they board a plane (capped at \$5 for a one-way trip). The law also authorized fees on the airlines themselves. In addition, it authorized funds to reimburse airport operators, service providers, and airlines for additional costs of security enhancements. The Congressional Budget Office expects that the Transportation Security Administration (TSA) will collect about \$2.1 billion from the fees in 2004; that amount, however, is less than half of the estimated \$4.7 billion increase in costs to the federal government. Under this option, user fees would be raised so that they would fully cover the costs of the added security measures.

For 2003, appropriations for the TSA are about \$4.5 billion. Of that amount, CBO estimates that about \$2.0 billion will be financed by collections from existing charges imposed on passengers and airlines, including the board-

ing fee of \$2.50 per passenger. Imposing charges that would cover the entire cost of security improvements—for instance, by increasing the boarding fee to \$6.25—would boost collections (and thus reduce net discretionary spending) by an estimated \$2.6 billion in 2004 and \$14.1 billion over the 2004-2008 period. Standard budgetary treatment of such collections would classify them as revenues, but because the Aviation and Transportation Security Act requires that revenues from the existing fees be recorded as offsetting collections (a form of discretionary spending), under this option the additional fees would be treated the same way.

Supporters of this option contend that the primary beneficiaries of the increased transportation security are the users of the system. Security is a cost of airline transportation, in the same way that fuel and labor costs are. Having those costs covered by taxpayers in general—not just users of the aviation system—would provide a subsidy to air transportation.

Opponents of this option argue that the public in general, not just air travelers, benefits from improved airport security. To the extent that enhanced security reduces the risk of terrorist attacks, the entire population is better off. That argument provides a rationale for federal financing of the enhanced transportation security measures without additional collections raised directly from the airline industry or its customers to cover those costs.